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Introduced by Hirdman Council Bill No. R 280-07

**A RESOLUTION**

adopting a five year (2008-2012) active and retiree premium rate structure strategy for the City of Columbia.

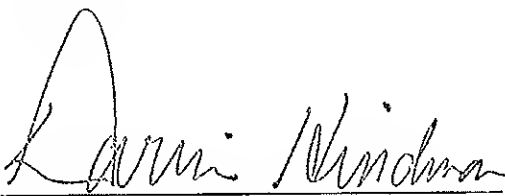
BE IT RESOLVED BY THE COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. The City Council hereby adopts the attached five year (2008-2012) active and retiree premium rate structure strategy for the City of Columbia.


ADOPTED this 3rd day of December, 2007.

ATTEST:

  
\_\_\_\_\_  
City Clerk

  
\_\_\_\_\_  
Mayor and Presiding Officer

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Counselor

Source:

Human Resources

*M. D. Miller*

Fiscal Impact

YES

NO

Other Info.

Agenda Item No. 72280-07

**TO:** City Council  
**FROM:** City Manager and Staff  
**DATE:** November 12, 2007  
**SUBJECT:** Active and Retiree Premium Rate Structure Strategy for City of Columbia

SUMMARY:

Adoption of five year (2008 – 2012) active and retiree premium rate structure strategy for the City of Columbia. The strategy addresses the OPEB (other post employment benefits) liability concerns that are associated with the requirements of GASB 45.

DISCUSSION:

The proposed five year strategy for addressing the City's OPEB (other post employment benefits) liability associated with the requirements of GASB 45 is attached. Human Resources and Finance staff worked with the City's benefits consultant, Gallagher Benefit Services, to develop the strategy.

The strategy addresses the implementation of "self-supporting" premium rates for all participants in the City Health Care Plan (actives and pre-Medicare retirees), provision of subsidies for the rate tiers to phase in the rate realignment, and movement of Medicare eligible retirees to a fully insured City sponsored group Medicare Supplement and Group Medicare Prescription Drug Program.

The City is providing subsidies for the rate tiers in order to moderate the impact to the tier groups that are experiencing rate changes. Retiree subsidies have been proposed for plan year 2008, and those subsidy amounts will remain fixed in future plan years. Active subsidies, adopted in September 2007, are expected to decrease in future plan years.

Adoption of the strategy is necessary to limit the City's liability under GASB 45 and maintain the City's favorable credit rating.

SUGGESTED COUNCIL ACTION: Adoption of this Council Resolution.



Gallagher Benefit Services, Inc.

A Subsidiary of Arthur J. Gallagher &amp; Co.

October, 2007

**City of Columbia, Missouri  
Active and Retiree Premium Rate Structure Strategy  
2008 - 2012**

Issue:

The City is addressing the OPEB (other post employment benefits) liability concerns that are associated with the requirements of GASB 45. Implicit or explicit retiree subsidies within the group benefit programs negatively impact the City's GASB liability, and require municipalities (and other public entities) to take action to limit this booked liability. By having retirees share in their health care cost more proportionately, the City's GASB liability is reduced significantly.

Current Plan Year (January 2007):

Rates that the City currently charges both its pre-65 and post-65 retirees are heavily subsidized by the active participants' rates. Healthcare actuarial analysis indicates the current 4-tier rate structure would require significant increases (for example, estimates ranging from +17% for single pre-65 retiree rates, to +67% for retiree + family rates) to appropriately align the rates with the claims cost associated with this population. Rate realignment within the four Active tier groups is also needed to better align the cost associated with each rate tier.

Next Plan Year (January 2008):

The City is introducing new premium rates, for Actives and Retirees, that are progressing toward "self-supporting" (i.e., rates that more closely reflect the cost associated with each rate tier). While the 2008 rates are not fully self-supporting, the City's plan is to gradually phase-in the rate realignment so that by 2012, the rates are proportionate to the cost, both for actives and for retirees.

The City is providing subsidies for the rate tiers, to ensure a gradual phase-in process, and to moderate the impact to the tier groups that are experiencing a rate change. Retiree subsidies are fixed, and will remain fixed in future plan years. Active subsidies are expected to decrease in future plan years.

Specific to post-65 Retirees, the City is replacing the current health/pharmacy program with a group Medicare Supplement and group Medicare Prescription Drug Program. This program will also receive subsidies from the City to limit the impact to retirees during the transition.

January 2009 – 2012:

The City will re-evaluate its GASB liability position each year, and continue to annually monitor the plan's performance and modify (if needed) the rate relationships to ensure the plans are effective for Actives and Retirees, and that the rate relationships are moving toward "self-supporting" (to be fully self-supporting by 2012), so that the City's GASB liability position will remain stable.